

ERIE TOWNSHIP

MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

ERIE TOWNSHIP

TOWNSHIP OFFICIALS

SUPERVISOR -----Daniel J. Bonkoski

CLERK ----- Gayle A. Burlen

TREASURER -----Cindy Baum

TOWNSHIP BOARD

Daniel J. Bonkoski

Gayle A. Burlen

Cindy Baum

Denise Gordy

Diane La Plante

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name ERIE TOWNSHIP	County MONROE
Audit Date 6-30-4	Opinion Date 8-2-4	Date Accountant Report Submitted to State: 8-30-4	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) MCGUIRE & CANAN CPAS			
Street Address 6588 SECOR ROAD	City LAMBERTVILLE	State MI	ZIP 48144
Accountant Signature Dorothy McGuire CPA			

ERIE TOWNSHIP
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McGuire & Cavan
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

6588 Secor Road
Lambertville, MI 48144
Tel 734-854-5044
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Township Board of Erie Township
2060 Manhattan
Erie, MI 48133

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Erie, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Erie Township, Michigan as of June 30, 2004, and the respective changes in financial position, and cash flows where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The management's discussion and analysis on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion in it.

Our audit was conducted for the purpose of forming an opinions on the financial statements that collectively comprise the Township of Erie's basic financial statements. The required supplementary budgetary comparisons, and additional combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The required supplementary budgetary comparisons and combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGuire & Cavan

McGuire & Cavan
Certified Public Accountants

August 2, 2004

Erie Township
Management's Discussion and Analysis
June 30, 2004

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 1.6% from a year ago -- increasing from 8,442.8 thousand to 8,585.9 thousand. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase, of approximately \$248 thousand during the year (6% increase). The business-type activities experienced a \$105 thousand decrease in net assets, primarily as a result of a decrease in new water tap ins. In a condensed format, the table below shows a comparison (in thousands of dollars) of the net assets as of the current date to the prior year:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current Assets	\$ 1,722.2	\$ 1,656.2	\$ 1,240.8	\$ 1,284.2	\$ 2,963.0	\$ 2,940.4
Noncurrent Assets	3,102.3	3,151.0	6,734.4	7,039.2	9,836.7	10,190.2
Total Assets	<u>4,824.5</u>	<u>4,807.2</u>	<u>7,975.2</u>	<u>8,323.4</u>	<u>12,799.7</u>	<u>13,130.6</u>
Long-Term Debt Outstanding	499.6	779.4	3,080.0	3,330.0	3,579.6	4,109.4
Other Liabilities	334.6	332.9	303.6	296.4	638.2	629.3
Total Liabilities	<u>834.2</u>	<u>1,112.3</u>	<u>3,383.6</u>	<u>3,626.4</u>	<u>4,217.8</u>	<u>4,738.7</u>
Net Assets						
Invested in Capital Assets-						
Net of Debt	2,522.9	2,543.0	1,630.9	1,488.4	4,153.8	4,031.4
Restricted	3.0	3.0	60.1	55.6	63.1	58.6
Unrestricted (Deficit)	<u>1,468.4</u>	<u>1,199.8</u>	<u>2,900.6</u>	<u>3,153.0</u>	<u>4,369.0</u>	<u>4,352.8</u>
Total Net Assets	<u>\$ 3,994.3</u>	<u>\$ 3,745.8</u>	<u>\$ 4,591.6</u>	<u>\$ 4,697.0</u>	<u>\$ 8,585.9</u>	<u>\$ 8,442.8</u>

Unrestricted net assets--the part of net assets that can be used to finance day to day operations, increased by \$269,000 for the governmental activities. This represents an increase of approximately 22%. The current level of unrestricted net assets for our governmental activities stands at \$1,468,000, or about 100% of expenditures.

**Erle Township
Management's Discussion and Analysis
June 30, 2004**

The following table shows the changes of the net assets (in thousands of dollars) as of the current date to the prior year:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Program Revenues						
Charges for Services	\$ 178.8	\$ 144.5	\$ 74.8	\$ 54.8	\$ 253.6	\$ 199.3
Operating Grants and Contributions	55.5	18.8	-	-	55.5	18.8
Capital Grants and Contributions	-	-	63.9	1,297.6	63.9	1,297.6
General Revenues						
Property Taxes	332.0	320.3	-	-	332.0	320.3
State-Shared Revenues	348.3	390.6	-	-	348.3	390.6
Franchise Fees and Permits	640.3	638.4	-	-	640.3	638.4
Unrestricted Investment Earnings	43.8	59.9	148.4	123.3	192.2	183.2
Transfers and Other Revenue	39.4	29.5	-	-	39.4	29.5
	<u>1,638.1</u>	<u>1,602.0</u>	<u>287.1</u>	<u>1,475.7</u>	<u>1,925.2</u>	<u>3,077.7</u>
Program Expenses						
General Government	556.5	461.2	-	-	556.5	461.2
Public Safety	695.9	599.5	-	-	695.9	599.5
Highways and Streets	71.2	299.4	-	-	71.2	299.4
Recreation and Culture	17.4	34.8	-	-	17.4	34.8
Interest on Long-Term Debt	48.7	87.9	-	-	48.7	87.9
Water and Sewer	-	-	392.5	384.8	392.5	384.8
Total Expenses	<u>1,389.7</u>	<u>1,482.8</u>	<u>392.5</u>	<u>384.8</u>	<u>1,782.2</u>	<u>1,867.6</u>
Change in Net Assets	<u>\$ 248.4</u>	<u>\$ 119.2</u>	<u>\$ (105.4)</u>	<u>\$ 1,090.9</u>	<u>\$ 143.0</u>	<u>\$ 1,210.1</u>

The Township's net assets continue to remain healthy. The total revenues decreased due to water assessments, and we were able to decrease total expenses by 5%. As a result, net assets grew by \$142,800, compared to a prior year increase of \$1,210,100

Governmental Activities

The Township's total governmental revenues increased by approximately \$36,000, primarily due to the increased enforcement of highway weights and measures laws.

Expenses decreased by \$93,000 during the year. This was primarily the result of reduced highway and street expenses.

Business-Type Activities

The Township's business-type activities consist of the Water and Sewer Fund. Water is provided through the South County Water System. The Township's water activity accounts for local line extensions and connection fees. We provide sewage treatment to approximately five entities through the Bedford Township sewage treatment plant.

**Erle Township
Management's Discussion and Analysis
June 30, 2004**

The Township's Funds

Our analysis of the Township's major funds begins on page 7, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2003-04 include the General Fund, the Law Enforcement Fund, and the Public and Private Improvement Fund.

The General Fund pays for most of the Township's governmental services. The most significant is fire protection, which incurred expenses of approximately \$158,500 in 2003-04. Fire equipment purchases and related debt are funded through a special millage recorded in the Fire Equipment Fund. Police services are also funded by a special millage recorded in the Law Enforcement Fund.

General Fund Budgetary Highlights

During the fiscal period 2003-04, the Township Board amended the budget to reflect changes which took place during the year. The most significant change in revenue was a \$25,287 increase in fund balance and fire department grants amounting to \$55,555. Additionally there were a few minor changes resulting in an overall budget increase of \$82,427.

The expenditure budget reflects a fund balance of \$103,482, which is \$5,788 better than anticipated. All departments except one were within budget allocation.

Capital Asset and Debt Administration

At June 30, 2004, the Township had \$8,000,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Monroe County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The General Fund 2004-05 fiscal budgeted revenue is expected to be \$845,632 or down 3.2%. It is not certain at this time what grants the Township could receive, if any. Considering no grants, the budget is actually 3.4% greater than the last fiscal year.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

ERIE TOWNSHIP
GOVERNMENT WIDE STATEMENT OF NET ASSETS
JUNE 30, 2004

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 707,361	\$ 481,364	\$ 1,188,725
Investments	806,230	557,928	1,364,158
Receivables (Net of Allowance for Uncollectibles):			
Accounts	12,467	16,932	29,399
Assessments	8,290	1,839,002	1,847,292
Tap-Ins	-	107,595	107,595
Loans	75,368	-	75,368
Interest	6,600	-	6,600
Due From State of Michigan	116,406	-	116,406
Internal Balances	(10,463)	10,463	-
Restricted Cash With Fiscal Agent	-	977	977
	<u>1,722,259</u>	<u>3,014,261</u>	<u>4,736,520</u>
Capital Assets:			
Land	124,685	-	124,685
Buildings and System	1,974,212	5,507,078	7,481,290
Improvements Other than Buildings	157,959	-	157,959
Machinery and Equipment	1,896,770	-	1,896,770
Less Accumulated Depreciation	(1,051,314)	(546,197)	(1,597,511)
Total Capital Assets (Net of Accumulated Depreciation)	<u>3,102,312</u>	<u>4,960,881</u>	<u>8,063,193</u>
 Total Assets	 <u>4,824,571</u>	 <u>7,975,142</u>	 <u>12,799,713</u>
 Liabilities			
Accounts Payable	4,579	11,869	16,448
Accrued Wages	10,834	-	10,834
Accrued Vacation	14,884	-	14,884
Accrued Payroll Taxes	1,753	-	1,753
Accrued Interest Payable	18,773	41,747	60,520
Noncurrent Liabilities:			
Due Within One Year	283,892	250,000	533,892
Due in More Than One Year	495,531	3,080,000	3,575,531
Total Liabilities	<u>830,246</u>	<u>3,383,616</u>	<u>4,213,862</u>
 Net Assets			
Invested in Capital Assets Net of Related Debt	2,522,889	1,630,881	4,153,770
Restricted for:			
Veteran's Memorial	3,019	-	3,019
Repair and Maintenance	-	60,125	60,125
Unrestricted	<u>1,468,417</u>	<u>2,900,520</u>	<u>4,368,937</u>
Total Net Assets	<u>\$ 3,994,325</u>	<u>\$ 4,591,526</u>	<u>\$ 8,585,851</u>

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs Primary Government	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government	
			Grants and Contributions	Capital Grants and Contributions		Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 556,512	\$ 38,023	\$ -	\$ -	\$ (518,489)	\$ -	\$ (518,489)
Public Safety	695,889	140,750	55,555	-	(499,584)	-	(499,584)
Highways and Streets	71,277	-	-	-	(71,277)	-	(71,277)
Culture and Recreation	17,459	-	-	-	(17,459)	-	(17,459)
Interest on Long-Term Debt	48,772	-	-	-	(48,772)	-	(48,772)
Total Governmental Activities	1,389,909	178,773	55,555	-	(1,155,581)	-	(1,155,581)
Business-Type Activities:							
Water and Sewer	392,508	74,770	-	63,903	-	(253,835)	(253,835)
Total Primary Government	\$ 1,782,417	\$ 253,543	\$ 55,555	\$ 63,903	(1,155,581)	(253,835)	(1,409,416)
General Revenues:							
Property Taxes					332,079	-	332,079
State Shared Revenues					348,271	-	348,271
Franchise Fees and Permits					640,334	-	640,334
Unrestricted Investment Earnings					43,870	148,383	192,253
Miscellaneous					39,490	-	39,490
Transfers					-	-	-
Total General Revenues and Transfers					1,404,044	148,383	1,552,427
Change in Net Assets					248,463	(105,452)	143,011
Net Assets - Beginning					3,745,862	4,696,978	8,442,840
Net Assets - Ending					\$ 3,994,325	\$ 4,591,526	\$ 8,585,851

ERIE TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

Assets	General	Law Enforcement	Public and Private Improvement	Other Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 104,315	\$ 72,968	\$ 476,555	\$ 53,523	\$ 707,361
Investments	167	4,495	798,075	3,493	806,230
Accounts Receivable	6,870	5,597	-	-	12,467
Assessments Receivable	-	-	8,290	-	8,290
Loans Receivable	-	-	75,368	-	75,368
Interest Receivable	-	-	6,600	-	6,600
Due From State of Michigan	116,406	-	-	-	116,406
Due From Other Funds	41,682	-	-	1,751	43,433
Total Assets	\$ 269,440	\$ 83,060	\$ 1,364,888	\$ 58,767	\$ 1,776,155
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 2,780	\$ 1,299	\$ -	\$ 500	\$ 4,579
Accrued Wages	7,854	2,980	-	-	10,834
Accrued Vacation and Sick Pay	-	-	-	-	-
Accrued Payroll Taxes	1,753	-	-	-	1,753
Due to Other Funds	1,751	41,668	10,477	-	53,896
Deferred Revenue	-	-	83,658	-	83,658
Total Liabilities	14,138	45,947	94,135	500	154,720
Fund Balances:					
Reserved for:					
Veteran's Memorial	3,019	-	-	-	3,019
Unreserved, reported in:					
General Fund	252,283	-	-	-	252,283
Special Revenue Funds	-	37,113	1,270,753	58,267	1,366,133
Total Fund Balances	255,302	37,113	1,270,753	58,267	1,621,435
Total Liabilities and Fund Balances	\$ 269,440	\$ 83,060	\$ 1,364,888	\$ 58,767	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

3,102,312

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

83,658

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(813,080)

Net Assets of Governmental Activities

\$ 3,994,325

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	<i>General</i>	<i>Law Enforcement</i>	<i>Public and Private Improvement</i>	<i>Other Governmental Funds</i>	<i>Totals Governmental Funds</i>
Revenues:					
Taxes and Penalties	\$ 93,674	\$ 105,949	\$ -	\$ 132,456	\$ 332,079
Licenses and Permits	103,693	5,244	488,442	42,955	640,334
State Grants	348,271	-	-	-	348,271
Federal Grants	55,555	-	-	-	55,555
Charges for Services	38,023	-	-	-	38,023
Fines and Forfeits	924	139,826	-	-	140,750
Interest	3,771	653	38,732	714	43,870
Other	28,215	11,222	19,549	52	59,038
Total Revenues	<u>672,126</u>	<u>262,894</u>	<u>546,723</u>	<u>176,177</u>	<u>1,657,920</u>
Expenditures:					
Current:					
General Government	474,724	-	67,259	-	541,983
Public Safety	158,540	365,815	17,696	55,019	597,070
Highways and Streets	67,179	-	4,098	-	71,277
Recreational and Cultural	44,566	-	-	-	44,566
Debt Service:					
Principal	-	-	200,000	79,545	279,545
Interest and Fiscal Charges	-	-	15,200	36,723	51,923
Total Expenditures	<u>745,009</u>	<u>365,815</u>	<u>304,253</u>	<u>171,287</u>	<u>1,586,364</u>
Excess of Revenue Over (Under) Expenditures	<u>(72,883)</u>	<u>(102,921)</u>	<u>242,470</u>	<u>4,890</u>	<u>71,556</u>
Other Financing Sources (Uses):					
Operating Transfers In	100,000	166,000	-	10,000	276,000
Operating Transfers Out	(50,000)	-	(226,000)	-	(276,000)
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>166,000</u>	<u>(226,000)</u>	<u>10,000</u>	<u>-</u>
Excess of Revenue & Other Financing Sources Over Expenditures & Other Financing Uses	<u>(22,883)</u>	<u>63,079</u>	<u>16,470</u>	<u>14,890</u>	<u>71,556</u>
Fund Balance - Beginning	<u>278,185</u>	<u>(25,966)</u>	<u>1,254,283</u>	<u>43,377</u>	
Fund Balance - Ending	<u>\$ 255,302</u>	<u>\$ 37,113</u>	<u>\$ 1,270,753</u>	<u>\$ 58,267</u>	

Amounts reported for governmental activities in the statement of activities are different because:

-Governmental funds report capital outlays as expenditures; in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(96,089)
-Special assessment and similar revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	629
-Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	279,545
-Bond proceeds are not reported as financing sources in the statement of activities	-
-Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(7,178)

Change in Net Assets of Governmental Activities	\$ 248,463
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See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUND STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Water and Sewer</u>	
	<u>Current Year</u>	<u>Prior Year</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 481,364	\$ 605,226
Investments	557,928	482,478
Due From Other Funds	10,463	10,463
Current Portion - Tap-Ins Receivable	10,760	12,565
Current Portion - Assessments Receivable	163,333	161,000
Accounts Receivable	16,932	12,438
Total Current Assets	<u>1,240,780</u>	<u>1,284,170</u>
Noncurrent Assets:		
Restricted Cash	977	3,027
Long-Term Portion of Tap-Ins Receivable	96,835	113,088
Long-Term Portion of Assessments Receivable	1,675,669	1,859,781
Capital Assets	5,507,078	5,427,095
Less Accumulated Depreciation	(546,197)	(363,780)
Total Noncurrent Assets	<u>6,734,362</u>	<u>7,039,211</u>
Total Assets	<u>7,975,142</u>	<u>8,323,381</u>
Liabilities		
Current Liabilities:		
Accounts Payable	11,869	9,274
Accrued Interest Payable	41,747	42,129
Current Portion of Noncurrent Liabilities	250,000	245,000
	<u>303,616</u>	<u>296,403</u>
Non-current Liabilities:		
Bonds Payable	3,080,000	3,330,000
Total Liabilities	<u>3,383,616</u>	<u>3,626,403</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,630,881	1,488,315
Restricted For Repair and Maintenance	60,125	55,632
Unrestricted	<u>2,900,520</u>	<u>3,153,031</u>
Total Net Assets	<u>\$ 4,591,526</u>	<u>\$ 4,696,978</u>

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP

**PROPRIETARY FUND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Water and Sewer</u>	
	<u>Current Year</u>	<u>Prior Year</u>
Operating Revenue:		
Charges for Service - Sewers	\$ 49,429	\$ 54,571
Tap Fees	25,090	121,625
Other Revenue	<u>251</u>	<u>191</u>
Total Operating Revenue	<u>74,770</u>	<u>176,387</u>
Operating Expenses:		
Depreciation	182,418	119,314
Sewer Usage	44,936	49,609
Other	<u>51</u>	<u>5,471</u>
Total Operating Expenses	<u>227,405</u>	<u>174,394</u>
Operating Income (Loss)	(152,635)	1,993
Non-Operating Revenue (Expenses):		
Assessment Revenue	63,903	1,175,934
Interest Income	148,383	123,325
Interest Expense	<u>(165,103)</u>	<u>(210,417)</u>
Total Non-Operating Revenue (Expenses)	<u>47,183</u>	<u>1,088,842</u>
Change in Net Assets	(105,452)	1,090,835
Total Net Assets - Beginning	<u>4,696,978</u>	<u>3,606,143</u>
Total Net Assets - Ending	<u><u>\$ 4,591,526</u></u>	<u><u>\$ 4,696,978</u></u>

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP
PROPRIETARY FUND STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Water and Sewer</u>	
	<u>Current Year</u>	<u>Prior Year</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 88,334	\$ 154,245
Payments to suppliers	(42,392)	(52,323)
Net Cash Provided by Operating Activities	<u>45,942</u>	<u>101,922</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Assessment Collections	245,682	252,685
Principal Paid on Bonds	(245,000)	(195,000)
Interest Paid on Debt	(165,485)	(168,287)
Purchase of Fixed Assets	<u>(79,984)</u>	<u>(1,578,699)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(244,787)</u>	<u>(1,689,301)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
(Purchase) Sale of Investments	(75,450)	186,702
Interest Revenue	148,383	123,325
Net Cash Provided (Used) by Investing Activities	<u>72,933</u>	<u>310,027</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(125,912)	(1,277,352)
Cash and Cash Equivalents - Beginning	<u>608,253</u>	<u>1,885,605</u>
Cash and Cash Equivalents - Ending	<u>\$ 482,341</u>	<u>\$ 608,253</u>
 Reconcile of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income	\$ (152,635)	\$ 1,993
Depreciation	182,418	119,314
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:		
Due From Other Funds	-	1,744
Taps Receivable	18,058	(22,610)
Accounts Receivable	(4,494)	4,194
Accounts Payable	<u>2,595</u>	<u>(2,713)</u>
Net Cash Provided by Operating Activities	<u>\$ 45,942</u>	<u>\$ 101,922</u>

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP
FIDUCIARY FUND -- STATEMENT OF NET ASSETS
JUNE 30, 2004

	<i>Pension Trust Fund</i>	<i>Agency Fund Type (Property Tax Collection Fund)</i>
Assets		
Cash and Cash Equivalents	\$ -	\$ 1,881
Investments at Fair Value:		
Mutual Funds	<u>681,385</u>	<u>-</u>
Total Assets	681,385	<u>\$ 1,881</u>
Liabilities		
Due to Others	<u>-</u>	<u>\$ 1,881</u>
Total Liabilities		
Net Assets		
Held in Trust for Pension Benefits	<u>\$ 681,385</u>	

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP
FIDUCIARY FUND STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

	<i>Pension Trust Fund</i>
Additions:	
Contributions	
Employer	\$ 36,359
Plan Members	<u>16,527</u>
Total Contributions	52,886
Investment Income	
Net Appreciation (Depreciation) in Fair Value of Investments	<u>83,548</u>
Total Additions	<u>136,434</u>
Deductions:	
Participant Withdrawals	-
Administration Fees	<u>6,267</u>
Total Deductions	<u>6,267</u>
Net Change in Net Assets	130,167
Net Assets - Beginning	<u>551,218</u>
Net Assets - Ending	<u><u>\$ 681,385</u></u>

See Accompanying Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - *Summary of Significant Accounting Policies*

NOTE 2 - *Reconciliation of Government-Wide and Fund Financial Statements*

NOTE 3 - *Stewardship, Compliance and Accountability*

NOTE 4 - *Deposits and Investments*

NOTE 5 - *Receivables*

NOTE 6 - *Capital Assets*

NOTE 7 - *Interfund Receivables, Payables and Transfers*

NOTE 8 - *Leases*

NOTE 9 - *Long-term Debt*

NOTE 10 - *Restricted Assets*

NOTE 11 - *Risk Management*

NOTE 12 - *Other Post-Employment Benefits*

NOTE 13 - *Employee Retirement Plan*

NOTE 14 - *Pending Litigation*

NOTE 15 - *Deferred Compensation Plan*

NOTE 16 - *Monroe County Joint Powers Water Contracts (South County Water System)*

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Erie Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Erie Township:

A - Reporting Entity

The Local Governmental Unit is governed by an elected five member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Erie Township has no component units.

B - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C - Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered available only when cash is received by the government.

Erie Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in Erie Township as of the preceding December 31st. Although Erie Township 2003 ad valorem tax is levied and collectible on December 1, 2003, it is Erie Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). The 2003 taxable valuation of Erie Township totaled \$108.3 million, on which ad valorem taxes levied consisted of .8387 mills for Erie Township operating purposes, 1.2254 mills for police protection, .9802 mills for fire equipment, raising \$90,776 for operating, \$106,094 for police protection, and \$132,637 for fire equipment. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable - current or as tax revenue.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Law Enforcement Fund accounts for all police protection expenses and related tax revenue.

The Public and Private Improvement Fund accounts for landfill revenues and block grant loans.

The government reports the following major proprietary funds:

The Water and Sewer Fund accounts for the tap-ins, special assessments, construction and related debt of the water distribution system and the sewage collection system.

Additionally, the government reports the following fund types:

The pension trust fund accounts for the activities of the township employees retirement system which accumulates resources for pension benefit payments to qualified employees.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes tap fees as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items--Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets--Revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of Erie Township's water and sewer lines.

Capital Assets--Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Improvements Other than Buildings	20 years
Machinery and Equipment	3 to 15 years
Water and Sewer Lines	30 to 60 years

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Vacation and Sick Leave) --It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Long-Term Obligations --In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity --In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications --Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2--RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$813,080 are as follows:

Bonds payable	\$ 779,423
Accrued interest payable	18,773
Compensated absences	<u>14,884</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 813,080</u>

NOTE 2--RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

- B** Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures; in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$96,089 are as follows:

Capital outlay	\$ 105,264
Depreciation	<u>(201,353)</u>
	<u>\$ (96,089)</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$7,178 are as follows:

Compensated absences	\$ (10,329)
Accrued interest	<u>3,151</u>
	<u>\$ (7,178)</u>

NOTE 3--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and all special revenue funds. All annual appropriations lapse at fiscal year end. On or before the 1st day of April the Supervisor shall prepare and submit to the Township Board a recommended budget within the tax limit and other revenue sources of the Township covering the next fiscal year. A public hearing on the budget shall be held before its final adoption. On or before the end of the fiscal year, the Township Board shall adopt a budget for the ensuing fiscal year. The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level. (i.e., The level at which expenditures may not legally exceed appropriations). The Supervisor is authorized to transfer budgeted amounts between line-items within an activity category; however, any revisions that alter the total expenditures of any activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds--During the year, Erie Township incurred expenditures in one budgeted activity which was in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Actual Expenditure</u>	<u>Budget Appropriation</u>
General Fund--Recreation Commission	\$ 44,037	\$ 42,899

Fund Deficits--The Local Governmental Unit has no accumulated fund balance/retained earning deficits.

NOTE 4--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Erie Township's Board has designated two banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

Erie Township's deposits and investment policy are in accordance with statutory authority.

At year-end, Erie Township's deposits and investments were reported in the basic financial statements in the following categories:

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Fiduciary Funds</i>	<i>Total</i>
Cash and Cash Equivalents	\$ 707,361	\$ 481,364	\$ 1,861	\$ 1,190,586
Investments	806,230	557,928	681,385	2,045,543
Restricted Assets	-	977	-	977
Total	<u>\$ 1,513,591</u>	<u>\$ 1,040,269</u>	<u>\$ 683,246</u>	<u>\$ 3,237,106</u>

The breakdown between deposits and investments is as follows:

Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 1,190,586
Petty Cash and Cash on Hand	1,000
Total	<u>\$ 1,191,586</u>

The bank balance of the primary government's deposits is \$1,259,455, of which \$200,000 is covered by federal depository insurance.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Governmental Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

NOTE 4--DEPOSITS AND INVESTMENTS (Continued)

At year-end, the government's investment balances were categorized as follows:

	<u>Category</u>			<u>Reported Amount (Fair Value)</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Primary Government				
U.S. Government Securities	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	1,345,986	-	-	1,345,986
Repurchase Agreements	-	-	-	-
Subtotal	<u>\$ 1,345,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,345,986</u>
Investments Not Subject to Categorization				
Mutual Funds				681,385
Bank Investment Pools				<u>18,172</u>
Total Primary Government				<u><u>\$ 2,045,543</u></u>

NOTE 5--RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Law Enforcement</u>	<u>Public and Private Improvement</u>	<u>Water and sewer</u>	<u>Total</u>
Accounts	\$ 6,870	\$ 5,597	\$ -	\$ 16,932	\$ 29,399
Special Assessments	-	-	8,290	1,839,002	1,847,292
Interest and Other	-	-	81,968	107,595	189,563
Gross Receivables	<u>6,870</u>	<u>5,597</u>	<u>90,258</u>	<u>1,963,529</u>	<u>2,066,254</u>
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Receivables	<u><u>\$ 6,870</u></u>	<u><u>\$ 5,597</u></u>	<u><u>\$ 90,258</u></u>	<u><u>\$ 1,963,529</u></u>	<u><u>\$ 2,066,254</u></u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Loans and Grants	\$ 75,368
Special Assessments	<u>8,290</u>
Total	<u><u>\$ 83,658</u></u>

NOTE 6--CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 124,685	\$ -	\$ -	\$ 124,685
Capital Assets Being Depreciated:				
Buildings	1,974,212	-	-	1,974,212
Improvements Other Than Buildings	156,501	1,458	-	157,959
Machinery and Equipment	1,792,964	103,806	-	1,896,770
Subtotal	3,923,677	105,264	-	4,028,941
Less Accumulated Depreciation for:				
Buildings	367,610	49,355	-	416,965
Improvements Other Than Buildings	84,124	7,898	-	92,022
Machinery and Equipment	398,227	144,100	-	542,327
Subtotal	849,961	201,353	-	1,051,314
Net Capital Assets Being Depreciated	3,073,716	(96,089)	-	2,977,627
Governmental Activities Capital Total Capital Assets--Net of Depreciation	<u>\$ 3,198,401</u>	<u>\$ (96,089)</u>	<u>\$ -</u>	<u>\$ 3,102,312</u>
<u>Business-Type Activities</u>				
Capital Assets Being Depreciated:				
Lines and Connections	\$ 5,427,094	\$ 79,984	\$ -	\$ 5,507,078
Less Accumulated Depreciation for:				
Lines and Connections	363,779	182,418	-	546,197
Net Capital Assets Being Depreciated	5,063,315	(102,434)	-	4,960,881
Business-Type Activities Capital Total Capital Assets--Net of Depreciation	<u>\$ 5,063,315</u>	<u>\$ (102,434)</u>	<u>\$ -</u>	<u>\$ 4,960,881</u>

Depreciation expense was charged to programs of the primary government as follows:

<u>Governmental Activities</u>	
General Government	\$ 39,036
Public Safety	149,480
Recreation and Culture	12,837
Total Governmental Activities	<u>\$ 201,353</u>
<u>Business-Type Activities</u>	
Water and Sewer	<u>\$ 182,418</u>

NOTE 7--INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Law Enforcement	\$ 41,668
	Public and Private Improvement	14
Building	General	1,751
Water - Sewer	Public and Private Improvement	10,463
Total		<u>\$ 53,896</u>

Interfund Transfers

	<u>Transfers In</u>			<u>Total</u>
	<u>Law Enforcement</u>	<u>General</u>	<u>Non-Major Governmental Funds</u>	
<u>Transfers Out</u>				
General Fund	\$ 40,000	\$	\$ 10,000	\$ 50,000
Public and Private Improvement	126,000	100,000	-	226,000
Total	<u>\$ 166,000</u>	<u>\$ 100,000</u>	<u>\$ 10,000</u>	<u>\$ 276,000</u>

NOTE 8--LEASES

Erie Township had no lease obligations at June 30, 2004.

NOTE 9--LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

NOTE 9--LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:						
County Contractual Obligations:						
Road Bonds	5.00%	2004-05	\$ 400,000	\$ (200,000)	\$ 200,000	\$ 200,000
Installment Purchase Agreements:						
Fire Vehicles	5.50%	2009-10	658,968	(79,545)	579,423	83,892
Total Governmental Activities			<u>\$ 1,058,968</u>	<u>\$ (279,545)</u>	<u>\$ 779,423</u>	<u>\$ 283,892</u>
Business-Type Activities:						
County Contractual Obligations:						
2001 Township Water Line	5.0-5.5%	2014-15	\$ 1,995,000	\$ (145,000)	\$ 1,850,000	\$ 150,000
2002 Township Water Line	3.5-4.7%	2016-17	1,580,000	(100,000)	1,480,000	100,000
Total Business-Type Activities			<u>\$ 3,575,000</u>	<u>\$ (245,000)</u>	<u>\$ 3,330,000</u>	<u>\$ 250,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 283,892	\$ 37,399	\$ 250,000	\$ 153,860
2006	88,658	27,633	260,000	142,735
2007	93,602	22,689	260,000	131,140
2008	98,822	17,469	265,000	119,340
2009	104,300	11,991	275,000	107,073
2010 and after	110,149	6,142	2,020,000	373,468
Total	<u>\$ 779,423</u>	<u>\$ 123,323</u>	<u>\$ 3,330,000</u>	<u>\$ 1,027,616</u>

NOTE 10--RESTRICTED ASSETS

The balances of the restricted asset accounts in the enterprise funds are as follows:

Debt Retirement	<u>\$ 977</u>
-----------------	---------------

NOTE 11--RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township purchases commercial insurance for all of these risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in insurance coverage from the prior year.

NOTE 11--RISK MANAGEMENT (Continued)

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE 12--OTHER POST-EMPLOYMENT BENEFITS

The Township does not have a plan set up for post-employment benefits other than a pension plan.

NOTE 13--EMPLOYEE RETIREMENT PLAN

Defined Contribution Pension Plan

The Township provides pension benefits for all of its permanent employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus any investment earnings. The plan was established and may be amended by the Township Board.

Erie Township contributes eleven percent of base wages for each employee with the employee having an optional contribution of up to ten percent. An employee is fully vested after twenty-one months of service. An insurance company (Manulife Financial) administers the plan and the Township makes monthly contributions. The Township's total payroll for this year was \$482,057. The Township made the required contribution of \$36,359, on covered payroll of \$330,536. Employee contributions totaled \$16,526.

All full time employees participate in the plan.

Note 14 -- Pending Litigation

At present, there are no cases of litigation pending that would have a material effect on the financial statements.

NOTE 15--DEFERRED COMPENSATION PLAN

The Erie Township Board offers all Erie Township employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in Erie Township's financial statements.

Note 16 -- Monroe County Joint Powers Water Contracts (South County Water System)

Erie Township, in conjunction with three other communities, has entered into a contract with the Monroe County Drain Commission to provide a water supply and water mains for each of the communities. This is considered a joint venture without an equity interest. The original contract plus additional bonds issued calls for payments to total \$7,200,000 plus interest, the full amount to be paid by July 1, 2007. Total principal and interest requirements remaining at June 30, 2004, on this contract are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Joint Powers 1995 Improvements	<u>\$ 560,000</u>	<u>\$ 67,624</u>	<u>\$ 627,624</u>

Erie Township
Notes to Financial Statements
June 30, 2004

Note 16 -- Monroe County Joint Powers Water Contracts (South County Water System) (Continued)

Each community's liability is computed annually using assessed property valuation as a basis. Therefore, Erie Township's liability under this contract is presently undeterminable but, at this time, is estimated to be approximately 12.32% of the contract amount. The South County Water System currently makes all payments of principal and interest on these contracts, but the units of government will still be liable for principal should South County Water System not be able to meet the obligation.

The Township's estimated share of assets, liabilities, and fund equity is 12.32%. Summary financial information as of, and for the fiscal year ended December 31, 2003 is as follows:

	<u>South County</u> <u>Water System</u>
Cash and Investments	\$ 5,749,287
Other Assets	18,257,348
Total Assets	<u>24,006,635</u>
 Total Liabilities	 <u>808,881</u>
 Total Net Assets	 <u><u>\$ 23,197,754</u></u>
 Total Revenue	 \$ 3,756,864
Total Expenses	3,243,087
Net Change in Net Assets	<u><u>\$ 513,777</u></u>
 Current Portion of Long-Term Debt	 \$ 138,550
Long-Term Debt, Less Current Portion	417,000
Total Debt	<u><u>\$ 555,550</u></u>

Complete financial statements for this joint entity are in the 2003 Financial Statements of the Monroe County Drain Commission County Agency.

ERIE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Beginning Fund Balance	\$ 100,000	\$ 125,387	\$ 278,185	\$ 152,798
Resources (Inflows)				
Taxes	93,050	93,050	93,674	624
Licenses and Permits	98,000	98,000	103,693	5,693
Federal Grants	-	30,600	55,555	24,955
State Grants	350,000	350,000	348,271	(1,729)
Charges for Services	46,500	46,500	38,023	(8,477)
Fines & Forfeits	3,000	3,000	924	(2,076)
Interest	2,500	2,500	3,771	1,271
Other	24,050	24,050	28,215	4,165
Transfers from Other Funds	100,000	100,000	100,000	-
Total Revenue	<u>817,100</u>	<u>873,087</u>	<u>1,050,311</u>	<u>177,224</u>
Charges to Appropriations (Outflows)				
General Government:				
Township Board	16,360	18,360	16,437	1,923
Supervisor	40,838	41,722	41,525	197
Elections	7,280	3,180	1,591	1,589
Audit	10,500	11,100	10,800	300
Assessing	31,364	73,094	61,524	11,570
Legal	15,000	7,000	5,854	1,146
Clerk	39,434	40,866	39,516	1,350
Board of Review	1,510	915	797	118
Treasurer	46,236	47,664	46,538	1,126
Building and Grounds	95,959	110,298	109,749	549
Cemeteries	9,010	9,010	5,715	3,295
Planning Commission	7,950	7,950	6,900	1,050
Board of Zoning Appeals	2,990	1,690	574	1,116
Other - Unclassified	252,484	149,626	127,204	22,422
Total General Government	<u>576,915</u>	<u>522,475</u>	<u>474,724</u>	<u>47,751</u>
Public Safety:				
Fire Department - Morin Pointe	53,795	87,206	86,944	262
Fire Department - Erie	54,520	84,047	71,596	12,451
Total Public Safety	<u>108,315</u>	<u>171,253</u>	<u>158,540</u>	<u>12,713</u>
Highways and Streets				
Maintenance	85,760	84,760	67,179	17,581
Culture and Recreation				
Recreation Commission	34,410	42,899	44,037	(1,138)
Library	1,700	1,700	529	1,171
Total Culture and Recreation	<u>36,110</u>	<u>44,599</u>	<u>44,566</u>	<u>33</u>
Transfers to Other Funds	10,000	50,000	50,000	-
Total Charges to Appropriations	<u>817,100</u>	<u>873,087</u>	<u>795,009</u>	<u>78,078</u>
Budgetary Fund Balance -- June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,302</u>	<u>\$ 255,302</u>

ERIE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
LAW ENFORCEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>	<i>Amounts</i>	<i>Final Budget -</i>
				<i>Positive</i>
				<i>(Negative)</i>
Beginning Fund Balance	\$ 10,000	\$ 18,923	\$ (25,966)	\$ (44,889)
Resources (Inflows)				
Taxes	105,000	105,000	105,949	949
Licenses and Fees	12,500	12,500	5,244	(7,256)
Fines and Forfeits	110,000	110,000	139,826	29,826
Interest	500	500	653	153
Other	1,000	1,000	11,222	10,222
Transfers from Other Funds	100,000	166,000	166,000	-
Amounts Available for Appropriation	<u>339,000</u>	<u>413,923</u>	<u>402,928</u>	<u>(10,995)</u>
Charges to Appropriations (Outflows)				
Public Safety:				
Wages			225,154	
Benefits			77,714	
Supplies			20,394	
Training			2,975	
Legal			19,840	
Other			16,984	
Capital			2,754	
Total Charges to Appropriations	<u>339,000</u>	<u>413,923</u>	<u>365,815</u>	<u>48,108</u>
Budgetary Fund Balance -- June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,113</u>	<u>\$ 37,113</u>

ERIE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
PUBLIC AND PRIVATE IMPROVEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Beginning Fund Balance	\$ 1,100,000	\$ 1,256,612	\$ 1,254,283	\$ (2,329)
Resources (Inflows)				
Licenses and Permits	300,000	300,000	488,442	188,442
Interest	25,000	25,000	38,732	13,732
Other	10,387	10,387	19,549	9,162
Amounts Available for Appropriation	<u>1,435,387</u>	<u>1,591,999</u>	<u>1,801,006</u>	<u>209,007</u>
Charges to Appropriations (Outflows)				
General Government:				
Community Development	30,000	24,305	20,177	4,128
Other - Unclassified	3,750	3,675	603	3,072
Capital	23,000	55,579	46,479	9,100
Total General Government	<u>56,750</u>	<u>83,559</u>	<u>67,259</u>	<u>16,300</u>
Public Safety:				
Police	<u>30,000</u>	<u>30,000</u>	<u>17,696</u>	<u>12,304</u>
Highways and Streets				
Maintenance	<u>933,437</u>	<u>1,037,240</u>	<u>4,098</u>	<u>1,033,142</u>
Debt Service				
Principal	200,000	200,000	200,000	-
Interest and Fees	15,200	15,200	15,200	-
	<u>215,200</u>	<u>215,200</u>	<u>215,200</u>	<u>-</u>
Transfers to Other Funds	<u>200,000</u>	<u>226,000</u>	<u>226,000</u>	<u>-</u>
Total Charges to Appropriations	<u>1,435,387</u>	<u>1,591,999</u>	<u>530,253</u>	<u>1,061,746</u>
Budgetary Fund Balance -- June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,270,753</u>	<u>\$ 1,270,753</u>

ERIE TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>Special Revenue</u>		<u>Total</u>
	<u>Building</u>	<u>Fire</u>	<u>Nonmajor</u>
	<u>Inspection</u>	<u>Equipment</u>	<u>Governmental</u>
			<u>Funds</u>
Assets			
Cash and Cash Equivalents	\$ 5,927	\$ 47,596	\$ 53,523
Investments	-	3,493	3,493
Due From Other Funds	1,751	-	1,751
Total Assets	<u>\$ 7,678</u>	<u>\$ 51,089</u>	<u>\$ 58,767</u>
 Liabilities and Fund Balance			
Liabilities:			
Accounts Payable	\$ 500	\$ -	\$ 500
Total Liabilities	<u>500</u>	<u>-</u>	<u>500</u>
 Fund Balance:			
Unreserved	7,178	51,089	58,267
Total Liabilities and Fund Balance	<u>\$ 7,678</u>	<u>\$ 51,089</u>	<u>\$ 58,767</u>

ERIE TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

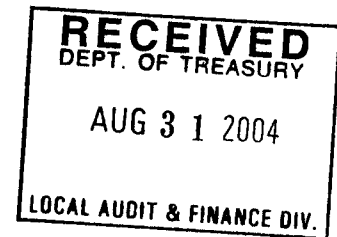
	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Building Inspection</u>	<u>Fire Equipment</u>	
Revenues:			
Taxes & Penalties	\$ -	\$ 132,456	\$ 132,456
Licenses & Permits	42,955	-	42,955
Interest	-	714	714
Other	52	-	52
	<u>43,007</u>	<u>133,170</u>	<u>176,177</u>
Total Revenue			
Expenditures:			
Current			
Public Safety	55,019		55,019
Debt Service:			
Principal		79,545	79,545
Interest and Fiscal Charges		36,723	36,723
	<u>55,019</u>	<u>116,268</u>	<u>171,287</u>
Total Expenditures			
Excess of Revenue Over (Under) Expenditures	<u>(12,012)</u>	<u>16,902</u>	<u>4,890</u>
Other Financing Sources (Uses):			
Operating Transfers In	10,000	-	10,000
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Excess of Revenue & Other Sources Over (Under) Expenditures & Other Uses	<u>(2,012)</u>	<u>16,902</u>	<u>14,890</u>
Fund Balance - Beginning	<u>9,190</u>	<u>34,187</u>	<u>43,377</u>
Fund Balance - Ending	<u>\$ 7,178</u>	<u>\$ 51,089</u>	<u>\$ 58,267</u>



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August 30, 2004

Erie Township Board
Erie, MI

Dear Board Members,

Our audit of the financial statements of Erie Township for the year ended June 30, 2004, was made in accordance with the generally accepted auditing standards which require that we determine that existing internal controls, accounting procedures and accounting records are adequate to allow us to express an opinion on the financial statements of the Township. The scope of our audit is not intended to be a detailed review of all systems and procedures; therefore, this report should not be considered all inclusive.

We have the following comments:

Excess Expenditures - The Township had one expenditure in excess of adjusted budget amount. All expenditures should be within the amount appropriated.

Escrow Accounts - Some escrow accounts have debt balances, sufficient deposits should be received prior to expending monies for these projects. Other accounts have old credit balances, these should be investigated and cleared.

We would like to take this opportunity to thank both the Board Officials and the employees who provided assistance to us during our audit. If you have any questions regarding any of the suggestions noted above or would like assistance in their implementation, please contact us.

Sincerely,

Donavon McGuire

L. Donavon McGuire, CPA
McGuire & Cavan
Certified Public Accountants